

## Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 IO-11 OIC-02 AF-06 ARA-06 EA-07

NEA-10 SS-15 SP-02 L-03 H-02 NSC-05 CIAE-00 INR-07

NSAE-00 PA-01 USIA-06 PRS-01 AGR-05 COME-00 TRSE-00

ITC-01 /110 W

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R 101838Z EAR 76

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 9724

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E.O. 11652: N/A

TAGS: EPAP, OCON, EAGR

SUBJECT: COFFEE -- EXECUTIVE BOARD MEETING, ITEM 6,  
FINANCE, MARCH 3, 1976

REF: STATE 50664

1. AT ITS MEETING ON MARCH 3, THE EXECUTIVE BOARD OF THE INTERNATIONAL COFFEE ORGANIZATION (ICO) CONSIDERED A NUMBER OF ITEMS. THIS TELEGRAM REPORTS ON ITEM 6, FINANCE, WITH REFERENCE TO A PROPOSAL FOR RENOVATION OF THE GROUND FLOOR CONFERENCE FACILITIES AT THE ICO HEADQUARTERS. DECISION WILL BE TAKEN ON MATTER AT THE NEXT EXECUTIVE BOARD MEETING, MARCH 25.

2. THE PROPOSED RENOVATION IS AN EXPANSION OF A PROJECT ORIGINALLY APPROVED IN 1974 FOR EXPENDITURE OF 78,760 ON RENOVATION OF CONFERENCE FACILITIES, WITH \$71,500 OF THIS TO BE FINANCED BY A TRANSFER FROM THE RESERVE FUND. THE BOARD IN ITS 1974 DELIBERATIONS RECOGNIZED THAT BECAUSE OF IMPENDING NEGOTIATIONS FOR A NEW INTERNATIONAL COFFEE AGREEMENT (ICA) MAJOR RENOVATIONS WOULD HAVE TO BE POSTPONED. IN  
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FACT, BECAUSE OF THE PROTRACTED NEGOTIATIONS IN 1975, ONLY \$21,048 WAS SPENT IN RENOVATION OF THE DELEGATES LOUNGE.

3. AT ITS JANUARY 20, 1976 (SEE EB 1413/76, TRANSMITTED BY A-74 OF FEBRUARY 5, 1976) THE FINANCE COMMITTEE WAS PRESENTED A NEW PROJECT (WP FINANCE NO. 143) FOR A FULL-SCALE RENOVATION, COSTING AN ESTIMATED \$193,395, TO BE FUNDED FROM THE UNUSED BALANCE FROM THE EARLIER PROJECT AND A TRANSFER FROM THE RESERVE FUND OF CLOSE TO \$136,000. THE FRG DELEGATE OPPOSED THE PROJECT ON A NUMBER OF POINTS, WHILE THE USREP, PARTICULARLY CONCERNING COST ESTIMATES, REQUESTED BETTER DOCUMENTATION. THE FINANCE COMMITTEE AFTER CONSIDERABLE DISCUSSION, DIRECTED THE SECRETARIAT TO PROCEED AS FAR AS POSSIBLE WITH OBTAINING FIRM ESTIMATES AND TO PREPARE DETAILED WORK PLANS AND COST ANALYSES. A RECOMMENDATION WAS MADE TO THE BOARD THAT UP TO AS MUCH AS \$150,000 BE AUTHORIZED FOR TRANSFER FROM THE RESERVE FUND, AND THAT ANY FUNDS TRANSFERRED BE PAID BACK TO THE FUND IN THREE ANNUAL INSTALLMENTS.

4. WP FINANCE NO. 147, OF FEBRUARY 25, 1976, WAS ISSUED LARGELY IN RESPONSE TO THE US REQUEST, PROVIDING A HISTORY OF THE PROJECT, BETTER PROJECT DESCRIPTION AND SOMEWHAT IMPROVED COST ESTIMATES. BY MAJOR CATEGORY, THE PROJECT IS AS FOLLOWS:

LINE ITEM	ESTIMATE
ALTERATION TO COUNCIL CHAMBER AND MEETING ROOM (MAJOR RENOVATION, REQUIRING REPOSITIONING OF DESKS, CEILING AND LIGHTING WORKS, SOME PARTITIONING, RE-WIRING, PAINTING)	\$75,285

LINE ITEM	ESTIMATE
INTERPRETATION EQUIPMENT	\$71,400
INSTALLATION OF NEW LANGUAGE BOOTH	8,820
VENTILATION	16,800
CONTINGENCIES, FEES	22,600
TOTAL	\$194,905

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THIS WOULD REQUIRE A TRANSFER FROM THE RESERVE FUND OF \$137,193.

5. TIMETABLE WOULD BE FOR PREPARATION OF SPECS, PLACING OF ORDERS, AND DELIVERIES BY END OF MAY, WITH WORK COMPLETED BY MID-SEPTEMBER AT LATEST, TO ENABLE

CNAMOER TO BE USED FOR FIRST MEETINGS OF THE COUNCIL  
UNDER THE NEW INTERNATIONAL COFFEE AGREEMENT (ICA),  
WHICH ENTERS INTO FORCE OCTOBER 1, AND FOR PRE-ICA  
1976 MEETINGS.

6. AT THE MAPCH 3 EXECUTIVE BOARD MEETING, THE FRG  
OPPOSED THE PPOJECT, WITH SUPPORT FROM FRANCE, ANNOUNC-

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ING THAT IF MATTER CAME TO VOTE IT WOULD OPPOSE. THE  
FRG BASED ITS ARGUMENTS ON (A) MEMBERSHIP OF NEW ICO  
STILL UNKNOWN, (B) PROJECT WAS LARGE IN RELATION TO  
BUDGET, AND (A) FINANCING FROM RESERVE FUND WAS IM-  
PROPER (FRG ARGUED PROJECT SHOULD BE FINANCED FROM WITHIN  
REGULAR BUDGET; AT AN EARLIER MEETING IT HAD SUGGESTED  
SPECIAL ASSESSMENTS FOR SUCH PROJECTS). WHEN CHAIRMAN  
DECIDED TO PUT MATTER TO VOTE, USREP ON POINT OF ORDER  
CALLED FOR A CONSUMER CAUCUS. AT THE CAUCUS, IT WAS  
DETERMINED THAT THERE WAS SUFFICIENT UNEASE BY SOME  
DELEGATES ABOUT THE PROJECT TO WARRENT CONSULTATIONS.  
THE CONSUMERS AS A GROUP THEN PROPOSED TO THE BOARD

THAT THE DECISION BE POSTPONED FOR 3-4 WEEKS, TO GIVE BOARD MEMBERS TIME TO CONSULT OTHER MEMBERS THEY REPRESENT. IN THE MEANTIME, IT WAS SUGGESTED THAT THE EXECUTIVE DIRECTOR BE INSTRUCTED TO PROCEED TO DRAW UP FIPM ESTIMATES, EVEN AT THE RISK OF INCURRING SOME EXPENSE IF THE PROJECT WERE REJECTED. THIS WAS ACCEPTED, WITH THE EXECUTIVE DIRECTOR PROMISING THAT THE ARCHITECT WOULD BE AVAILABLE TO ANSWER QUESTIONS AT THE NEXT MEETING.

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7. COMMENT: THE SECRETARIAT MIGHT BE FAULTED FOR LESS THAN SPARKLING DOCUMENTARY STAFF WORK IN DEVELOPING THIS NEW PROJECT, BUT IN THE DEBATE, IT WAS ASCERTAINED THAT THE PROJECT WAS REASONABLY WELL THOUGHT OUT AND JUSTIFIABLE BOTH FOR ICO USE AND AS AN INCOME EARNING ASSET THROUGH RENT OF FACILITIES. INDEED, THE ENTIRE PROJECT WOULD PROBABLY BE AMORTIZED THROUGH RENT INCOME IN LESS THAN 10 YEARS. THE ELECTRONIC EQUIPMENT PRESENTLY USED IS OLD AND NOT OVERLY RELIABLE. EXPANSION OF SEATING CAPACITY WILL IMPROVE CONFERENCE LEASING OPPORTUNITIES. REGARDING THE FRG'S CONTENTION THAT BORROWING FROM THE RESERVE FUND IS IMPORPER, THE POINT WAS MADE THAT THIS IS A LESS EXPENSIVE WAY FOR FINANCING CAPITAL IMPROVEMENT THAN OTHER POSSIBLE MEANS AND THAT THE FUND IS LARGE ENOUGH TO CARRY THE BURDEN (IT MIGHT BE ARGUED THAT AT \$1.3 MILLION THE FUND IS TOO LARGE, BUT THIS IS A SEPARATE QUESTION). A LEGITIMATE ARGUMENT FOR DELAY OF APPROVAL WAS PUT FORWARD IN THE CONSUMER CAUCUS TO THE EFFECT THAT THE BOARD WAS BEING ASKED TO BUY A PIG-IN-POKE SINCE ESTIMATES WERE STILL NOT FIRM. (THE SECRETARIAT HAD CONTENDED THAT THE TIME-TABLE WAS TOO SHORT TO PERMIT BETTER ESTIMATES PRIOR TO PUTTING QUESTION TO DECISION PLUS ITS VIEW THAT IT DID NOT WISH TO INCUR EXPENSE FOR DETAILED PLANS IN ABSENCE OF APPROVAL IN PRINCIPLE OF PROJECT). SUCH DOUBTS SHOULD BE DISPELLED ONE WAY OR ANOTHER BY MARCH 25. ALL PRODUCERS AND MOST CONSUMERS APPEAR TO FAVOR GOING AHEAD, ASSUMING THAT FINAL ESTIMATES ARE NOT OUT OF LINE WITH EARLIER ONES.

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\*\*\* Current Classification \*\*\* LIMITED OFFICIAL USE

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